

LOAN CONTRACT No. 3824/BL-GY

between the

CO-OPERATIVE REPUBLIC OF GUYANA

and the

INTER-AMERICAN DEVELOPMENT BANK

Enhancing the National Quality Infrastructure for Economic Diversification and Trade
Promotion Program

February 21, 2017

LOAN CONTRACT

SPECIAL CONDITIONS

This loan contract, hereinafter the “Contract,” is entered into between the CO-OPERATIVE REPUBLIC OF GUYANA, hereinafter referred to as the “Borrower,” and the INTER-AMERICAN DEVELOPMENT BANK, hereinafter referred to as the “Bank” and together with the Borrower, as the “Parties,” on February 21, 2017.

CHAPTER I

Purpose and Constituent Elements of the Contract

SECTION 1.01. Purpose of the Contract. The purpose of this Contract is to establish the terms and conditions under which the Bank grants a loan to the Borrower to contribute to the financing and execution of the Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion Program (the “Program”), the main aspects of which are set forth in the Annex.

SECTION 1.02. Constituent Elements of the Contract. This Contract is composed of these Special Conditions, the General Conditions, and the Annex.

CHAPTER II

The Loan

SECTION 2.01. Amount of the Loan. In accordance with this Contract, the Bank agrees to lend to the Borrower, and the Borrower accepts, a loan of up to the amount of nine million Dollars (US\$9,000,000), hereinafter the “Loan.” The Loan is composed of the following portions and sources of financing:

- (i) up to the amount of four million five hundred thousand Dollars (US\$4,500,000) chargeable to the resources of the Single Currency Facility of the ordinary capital resources of the Bank, hereinafter the “Ordinary Capital Financing”; and
- (ii) up to the amount of four million five hundred thousand Dollars (US\$4,500,000) chargeable to the resources of the Fund for Special Operations, hereinafter the “Fund for Special Operations Financing”.

SECTION 2.02. Disbursement Requests and Disbursement Currency. The Borrower may request Loan disbursements from the Bank in Dollars, pursuant to Chapter IV of the General Conditions.

SECTION 2.03. Currency Availability. If the Bank is unable to obtain access to Dollars, the Bank, in agreement with the Borrower, may disburse the Loan in another currency of its choice.

SECTION 2.04. Disbursement Period. The Original Disbursement Period will be five (5) years and six (6) months from the effective date of this Contract.

SECTION 2.05. Amortization. (a) The Loan shall be repaid by the Borrower in accordance to the provisions of Article 3.02 of the General Conditions. In event the Loan, or a portion thereof, is disbursed in a currency other than Dollars (Section 2.03 above), the Borrower shall repay the Loan, or portion of the Loan, in the currency it was disbursed.

(b) **Ordinary Capital Financing.** The portion of the Loan disbursed chargeable to the Ordinary Capital Financing shall be repaid by the Borrower in semiannual, consecutive, and insofar as possible, equal installments. The first installment shall be due from the Borrower on the expiration date of the seventy-two (72) month period following the effective date of this Contract, and the last installment shall be paid no later than thirty (30) years from the signature date of this Contract. If the expiration date of the period for the payment of the first amortization installment does not fall on the 15th day of the month, the payment of the first amortization installment shall be made on the interest payment date immediately preceding the expiration date of such period. If the final amortization date does not fall on an interest payment date, the payment of the last amortization installment shall be made on the interest payment date immediately preceding the final amortization date.

(c) **Fund for Special Operations Financing.** The portion of the Loan disbursed chargeable to the Fund for Special Operations Financing shall be repaid by the Borrower in one single installment forty (40) years from the date of signature of this Contract. If the expiration date for the payment of the single installment of amortization does not fall on an interest payment date, the payment of such amortization installment shall be made on the interest payment date immediately preceding the date of expiration of such period.

SECTION 2.06. Interest. (a) **Ordinary Capital Financing.** The Borrower shall pay interest on the daily outstanding balances of the portion of the Loan disbursed against the Ordinary Capital Financing at a rate determined pursuant to the provisions of Article 3.05(a) of the General Conditions with a LIBOR-Based Interest Rate until the Determination Date of the Fixed Base Rate. As of the Determination Date of the Fixed Base Rate, a Fixed Interest Rate shall apply.

(b) **Fund for Special Operations Financing.** The Borrower shall pay interest payable on the portion of the Loan disbursed against the Fund for Special Operations Financing at the rate set forth in Article 3.05(b) of the General Conditions.

(c) Interest shall be payable to the Bank semiannually, beginning six (6) months from the date of entry into effect of this Contract, taking into account the provisions of Article 3.01 of the General Conditions.

SECTION 2.07. Credit Fee. The Borrower shall pay the Bank, on the undisbursed balance of the Ordinary Capital Financing, a credit fee as set forth in Article 3.03 of the General Conditions.

SECTION 2.08. Resources for General Inspection and Supervision. The Borrower shall not be required to cover the Bank's expenses for general inspection and supervision, unless the Bank determines otherwise as set forth in Article 3.07 of the General Conditions.

CHAPTER III **Disbursements and Utilization of the Resources of the Loan**

SECTION 3.01. Special Conditions Precedent to First Disbursement. In addition to the conditions precedent stipulated in Article 4.01 of the General Conditions, the first disbursement of the Loan shall be subject to the fulfillment, to the satisfaction of the Bank, of the following requirements:

(a) The presentation of evidence of the creation of the Project Execution Unit within the Ministry of Business with the appointment of the project manager, the financial management officer, the procurement officer, the supporting engineer, and the monitoring and evaluation officer according to professional profiles satisfactory to the Bank.

(b) The approval of the Operating Manual for the Program by the Ministry of Business, according to the terms previously agreed by the Bank.

(c) The presentation of an initial report including the updated Multi-annual Execution Plan, the first Annual Operation Plan and Procurement and Financial Plans.

SECTION 3.02. Utilization of the Resources of the Loan. (a) The resources of the Loan may only be used to pay expenses that: (i) are necessary for the Program and are in accordance with its objectives; (ii) are carried out in accordance with the provisions of this Contract and Bank policies; (iii) are adequately recorded and documented in the Borrower's or Executing Agency's system; and (iv) are incurred after November 30, 2016 and before the expiration of the Original Disbursement Period or any extensions thereof; such expenses are hereinafter referred to as "Eligible Expenditures."

(b) Notwithstanding the provisions of paragraph (a) of this Section, expenditures that meet the requirements of its subsection (i) and (iii), consisting of detailed architectural and engineering designs of the Guyana National Bureau of Standards facility, up to the equivalent of three hundred thousand Dollars (US\$300,000), may be recognized by the Bank as Eligible Expenditures, provided that they have been incurred between May 31st, 2016 and November 30, 2016, in accordance with substantially analogous conditions to those established in this Contract; and with respect to procurement, the contracting procedures must be in conformity with the Procurement and Consultant Policies.

SECTION 3.03. Applicable Exchange Rate for Expenditures Incurred in Local Currency of the Borrower's Country. For purposes of Article 4.10 of the General Conditions, the Parties agree that the applicable exchange rate shall be that indicated in paragraph (b)(ii) of said Article. Accordingly, the agreed exchange rate shall be the exchange rate established by the Bank of Guyana on the effective date on/in which the Borrower, the Executing Agency, or any

other person or legal entity in whom the power to incur expenditures has been vested makes the related payments to the contractor, supplier, or beneficiary.

CHAPTER IV

Execution of the Program

SECTION 4.01. Executing Agency. The Borrower, acting through the Ministry of Business, shall be the Executing Agency of the Program.

SECTION 4.02. Procurement of Goods, Works, and Non-consulting Services. (a) For purposes of Article 2.01(35) of the General Conditions, the Parties agree that the Procurement Policies are those dated March 2011, which are contained in document GN-2349-9, approved by the Bank on 19 April 2011. If the Procurement Policies are amended by the Bank, the procurement of goods, works, and non-consulting services shall be carried out in accordance with the provisions of the modified Procurement Policies, once they are made known to the Borrower and the Borrower agrees in writing to their application.

(b) For the procurement of works, goods, and non-consulting services, any of the methods described in the Procurement Policies may be used, provided that such method has been identified for the respective procurement in the Procurement Plan approved by the Bank. The country system or subsystems described in Article 5.04(b) of the General Conditions may also be used.

(c) The threshold for determining the use of international competitive bidding will be made available to the Borrower or the Executing Agency, as the case may be, at www.iadb.org/procurement. Below that threshold, the selection method shall be determined according to the complexity and characteristics of the procurement, which should be reflected in the Procurement Plan approved by the Bank.

(d) Regarding the use of the national competitive bidding method, the respective national competitive bidding procedures may be used provided that, in the opinion of the Bank, these procedures ensure economy, efficiency, transparency, and general consistency with the provisions of Section I of the Procurement Policies, taking into account the provisions of paragraph 3.4 of the Procurement Policy, among others.

(e) The Borrower or the Executing Agency, as the case may be, agrees to obtain prior to awarding the contract for each of the works of the Program, if any, legal possession of the property where the construction of the respective work is to take place, easements or other rights required for its construction and use, as well as water rights required for the work in question.

SECTION 4.03. Selection and Contracting of Consulting Services. (a) For purposes of Article 2.01(10) of the General Conditions, the Parties agree that the Consultant Policies are those dated March 2011, which are contained in document GN-2350-9, approved by the Bank on 19 April 2011. If the Consultant Policies are amended by the Bank, the selection and contracting of consulting services shall be carried out in accordance with the provisions of the modified Consultant Policies, once they are made known to the Borrower and the Borrower agrees in

writing to their application.

(b) For the selection and contracting of consulting services, any of the methods described in the Consultant Policies may be used, provided that such method for the respective procurement has been identified in the Procurement Plan approved by the Bank. The country systems described in Article 5.04(b) of the General Conditions may also be used.

(c) The threshold for determining the shortlist of international consultants will be made available to the Borrower or the Executing Agency, as the case may be, at www.iadb.org/procurement. Below that threshold, the shortlist may be composed entirely of national consultants of the Borrower's country.

SECTION 4.04. Procurement Plan Update. In order to update the Procurement Plan in accordance with the provisions of Article 5.04(c) of the General Conditions, the Borrower or the Executing Agency, as the case may be, shall use the procurement plan execution and monitoring system determined by the Bank.

SECTION 4.05. Other Documents Governing Project Execution. (a) The Parties agree the Program execution shall be governed by the provisions of this Contract and those established in the Operating Manual of the Program (OM). If any provision of this Contract should present any inconsistency or contradiction with the Operating Manual, the relevant provision of this Contract shall prevail. Moreover, the Parties agree it shall be necessary to obtain the Bank's written consent prior to making any change to the Operating Manual.

(b) The OM shall include, at a minimum, the standards and procedures for the Executing Agency with regard to programming activities, procurement audits, environmental and social specifications, and monitoring and evaluation. The OM will also develop in detail the coordination arrangements among the institutions participating in the activities of the Program, as well as their particular roles and responsibilities.

SECTION 4.06. Environmental and Social Management. For purposes of Articles 5.06 and 6.02 of the General Conditions, the Parties agree that Program execution shall be governed by the following conditions, which have been identified as necessary for compliance with the environmental and social obligations of the Program:

(a) Prior to disbursement of the Loan resources for activities under Component 2 of the Program described in the Annex, the Borrower, through the Executing Agency, shall provide supporting documentation of the contracting of a social and environmental specialist.

(b) Prior to beginning construction work of Component 2 of the Program, the Borrower, through the Executing Agency, shall: (i) submit to the Bank supporting documentation of the implementation of the Environmental and Social Management Plan (ESMP), including information related to the organizational structure, roles and responsibilities established for the implementation and management of the proposed plans defined in the Environmental and Social Assessment and the ESMP; and (ii) receive from the contractor(s) an Emergency Response Plan (ERP) to be reviewed by the Executing Agency and the Bank.

(c) The Borrower, through the Executing Agency, shall comply, at all times during the execution of the Program, with all applicable environmental, social, health and safety, and labor regulatory requirements of the Co-operative Republic of Guyana, and all the plans and programs included in the ESMP.

SECTION 4.07. Maintenance. The Borrower and the Executing Agency undertake to ensure that the works and equipment included in the Program shall be adequately maintained, according to generally accepted technical standards. The Borrower shall prepare and submit to the Bank an annual maintenance plan and a report on the status of said works and equipment, during the five (5) years following the completion of the first works of the Program, if applicable, and within the first quarter of each calendar year. If, from the inspections conducted by the Bank or from the reports its receives, it is determined that maintenance does not meet the levels agreed upon, the Borrower and the Executing Agency shall undertake the necessary measures to fully correct these shortcomings.

CHAPTER V

Supervision and Evaluation of the Program

SECTION 5.01. Supervision of Program Execution. For purposes of Article 7.02 of the General Conditions, the documents that, as of the date of signature of this Contract, have been identified as necessary to supervise progress in the execution of the Program are:

- (a) Multi-annual Execution Plan (MEP), which shall include comprehensive planning of the Program pursuant to the structure of the expected outputs set out in the Program Results Matrix, the Financial Plan, and the critical path of milestones or actions that must be taken to ensure that the Loan is disbursed within the period indicated in Section 2.04 of these Special Conditions. The MEP shall be updated as necessary, but especially whenever significant changes are made that delay—or may delay—the execution of the Program or changes are made to output targets for intermediate periods.
- (b) Annual Operation Plans (AOP) that shall be prepared on the basis of the MEP and shall contain all the activities that will be carried out during each year and the physical and financial schedules.
- (c) Semiannual progress reports that shall be presented within forty five (45) days after the end of each corresponding semester and include the outcomes and outputs achieved in the execution of the AOP, the Procurement Plan, and the Program Results Matrix, and information related the monitoring of the environmental and social aspects and the implementation of mitigation measures, if any. The Borrower agrees to participate, through the Executing Agency, in joint evaluation meetings with the Bank, to be held within forty five (45) days following the receipt of the aforementioned reports. The report for the second half of each year shall include the proposed AOP for the following year, which shall be agreed upon with the Bank during the corresponding joint evaluation meeting.

- (d) Environmental and social monitoring reports, which shall be presented quarterly during the construction phase, including information about any emergency situation presented, and in accordance with the provisions of the ESMP.

SECTION 5.02. Supervision of the Financial Management of the Program. (a) For purposes of Article 6.03 of the General Conditions, as of the date of signature of this Contract, the following external audit financial reports and other reports have been identified as necessary to supervise the financial management of the Program: (i) semi-annual unaudited financial reports that should be included in the semi-annual progress reports referred to in Section 5.01(c) of this Special Conditions; and (ii) annual audited financial statements of the Program, within one hundred twenty (120) days following the closing of each fiscal year of the Executing Agency and within the disbursement period of the Financing, duly audited by a firm of independent public accountants acceptable to the Bank or by the Office of the Auditor General of Guyana. The last these financial statements shall be submitted within one hundred twenty (120) days following the date stipulated for the final disbursement of the Financing.

(b) For purposes of Article 6.03(a) of the General Conditions, the fiscal year of the Program is the period between January 1 and December 31 of each year.

SECTION 5.03. Evaluation of Results. In order to determine the degree of compliance with the Program's objective and its results, the Borrower, through the Executing Agency, undertakes to:

- (a) Collect, compile and process, during the disbursement period of the Program, all the data necessary to monitor the progress of the outputs and outcomes according to the Results Matrix indicators of the Program.
- (b) Carry out the following evaluations of the Program: (i) a mid-term evaluation after three (3) years from the first disbursement of the Loan or once the fifty percent (50%) of the resources of the Loan have been disbursed, whichever occurs first; and (ii) a final evaluation of the Program once ninety percent (90%) of the resources of the Loan have been disbursed. These evaluations will be based on the methodology and in accordance with the guidelines included in the Program's Monitoring and Evaluation Plan and as described in paragraph 5.01 of the Annex.

CHAPTER VI

Miscellaneous Provisions

SECTION 6.01. Entry into Effect of the Contract. This Contract shall enter into effect on the signature date.

SECTION 6.02. Communications and Notices. (a) Any notice, request, communication, or report from one Party to another by virtue of this Contract related to the execution of the Program, with the exception of the notices indicated in paragraph (b) hereof, shall be made in

writing and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Borrower, unless the Parties agree otherwise.

For the Borrower:

Mailing address:

Ministry of Finance
49 Main and Urquhart Streets
Georgetown, Guyana

Facsimile: (592) 227-3931

For the Executing Agency:

Mailing address:

Ministry of Business
229 South Road, Lacytown
Georgetown, Guyana

Facsimile: (592) 225-4310

For the Bank:

Mailing address:

Inter-American Development Bank
Country Office in Guyana
47 High Street, Kingston
Georgetown, Guyana

Facsimile: (592) 225 7138

Email address: IDBGuyana@iadb.org

(b) Any notice from one party to another by virtue of this Contract regarding matters other than those related to the execution of the Project, including disbursement requests, shall be made in writing and sent by certified mail, electronic mail, or facsimile addressed to its addressee at any of the respective addresses given below and shall be considered to have been made when the relevant document is delivered to the addressee at the respective address given below, or by electronic means under such terms and conditions as the Bank establishes and communicates to the Borrower, unless the Parties agree otherwise.

For the Borrower:

Mailing address:

Ministry of Finance
49 Main and Urquhart Streets
Georgetown, Guyana

Facsimile: (592) 227-3931

For the Bank:

Mailing address:

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
U.S.A.

Facsimile: (202) 623-3096

SECTION 6.03. **Commitment to Arbitrate.** For the resolution of any conflict arising out of or connected with this Contract and which is not resolved by agreement between the Parties, they unconditionally and irrevocably submit themselves to the procedure and ruling of the Arbitration Tribunal referred to in Chapter XI of the General Conditions.

IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorized representative, have signed this Contract in two (2) equally authentic copies in Washington, District of Columbia, United States of America, on the date indicated above.

CO-OPERATIVE REPUBLIC OF GUYANA

INTER-AMERICAN DEVELOPMENT
BANK

/s/

/s/

The Honourable Winston Jordan
Minister of Finance

Luis Alberto Moreno
President

**LOAN CONTRACT
GENERAL CONDITIONS
August 2016**

**CHAPTER I
Application and Interpretation**

ARTICLE 1.01. Application of the General Conditions. These General Conditions are uniformly applicable to loan contracts for the financing of investment projects using the ordinary capital resources of the Bank and the Fund for Special Operations, which the Bank enters into with its member countries or with other borrowers that, for purposes of the respective loan contract, have the guarantee of a Bank member country.

ARTICLE 1.02. Interpretation. (a) **Inconsistency.** In the event of contradiction or inconsistency between the provisions of the Special Conditions, any annex of the Contract, and the Guarantee Contract or Contracts, if any, and these General Conditions, those provisions shall prevail over the provisions of these General Conditions. In the event of contradiction or inconsistency between provisions of a single element of this Contract, or between the provisions of the Special Conditions, any annex of the Contract, and the Guarantee Contract or Contracts, if any, the specific provision shall prevail over the general.

(b) **Headings and subheadings.** Any heading or subheading of the chapters, articles, clauses, or other sections of this Contract are included solely for reference and should not be taken into account in the interpretation of this Contract.

(c) **Periods.** Unless this Contract provides otherwise, periods expressed in days, months, or years shall be understood as calendar days, months, or years.

**CHAPTER II
Definitions**

ARTICLE 2.01. Definitions. Whenever the following terms are capitalized in this Contract or in the Guarantee Contract(s), if any, they shall have the meaning set forth below. Any reference to the singular includes the plural and vice versa. Any capitalized term used in paragraph 28 of this Article 2.01 and not otherwise defined herein shall have the meaning assigned to it in the 2006 ISDA Definitions, in accordance with the publication of the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented, which is hereby incorporated into this Contract by reference.

1. “Additional Resources” means resources that are additional to those financed by the Bank, which are necessary for the complete and uninterrupted execution of the Project.

2. “Advance of Funds” means the amount of resources advanced by the Bank to the Borrower, chargeable to the Loan, to cover eligible expenditures of the Project, as provided in Article 4.07 of these General Conditions.
3. “Bank” shall have the meaning assigned to it in the Special Conditions.
4. “Bank’s Cost of Funding” means a cost margin calculated quarterly relative to a three-month (3-month) LIBOR Interest Rate in Dollars, using the weighted average cost of funding instruments applicable to the Single Currency Facility, expressed in terms of an annual percentage, as determined by the Bank.
5. “Board” means the Board of Executive Directors of the Bank.
6. “Borrower” shall have the meaning assigned to it in the recitals of the Special Conditions.
7. “Business Day” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City or, in the case of a Conversion, in the cities listed in the Conversion Notification Letter.
8. “Calculation Agent” means the Bank, except for the use of such term in the definition of LIBOR Interest Rate, in which case it will have the meaning assigned to it in the 2006 ISDA Definitions, in accordance with the publication of the *International Swaps and Derivatives Association, Inc.*, as amended and supplemented. Any determination made by the Calculation Agent shall be final, conclusive, and binding on the Parties (except in the case of manifest error), and, if made by the Bank as Calculation Agent, shall be duly documented and made in good faith and in a commercially reasonable manner.
9. “Closing Period” means a period of up to ninety (90) days from the expiration date of the Original Disbursement Period, or any extension thereof.
10. “Consultant Policies” mean the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank in force at the time of the approval of the Loan by the Bank.
11. “Contract” means this loan contract.
12. “Contracting Agency” means the entity with legal capacity to enter into contracts, and which, in agreement with the Borrower or the Executing Agency, as the case may be, assumes all or part of the responsibility for the procurement of goods or works, consulting services or non-consulting services for the Project.

13. “Contracting Entity” means the entity with legal capacity to enter into a contract for the procurement of goods, works, consulting services, and non-consulting services with a contractor, supplier, consulting firm, or individual consultant, as the case may be.
14. Determination Date of the Fixed Base Rate” means the 15th day of the months of January, April, July and October of each calendar year, following the date on which the minimum automatic conversion amount between the greater of three million Dollars (US\$3,000,000) or 25% of the net amount of the approved Loan (approved amount minus cancellations of the Loan) is reached.
15. “Dollar” means the legal tender of the United States of America.
16. “Eligible Expenditure” shall have the meaning assigned to it in the Special Conditions.
17. “Executing Agency” means the entity with legal capacity responsible for executing the Project and for using the proceeds of the Loan. Whenever there is more than one Executing Agency, these will be co-executing agencies and shall be referred to indistinctly as “Executing Agencies” or “Co-executing Agencies.”
18. “Financial Plan” means a tool for planning and monitoring the cash flows of the Project, which is used in coordination with other project planning tools, including the Procurement Plan.
19. “Fixed Base Rate” means the market swap rate on the effective date of the LIBOR-Based Rate fixing.
20. “Fixed Interest Rate ” means the sum of: (i) the Fixed Base Rate, as defined in Article 2.01(19) of these General Conditions, plus (ii) the ordinary capital lending spread expressed in basis points (bps) which shall be periodically determined by the Bank.
21. “Fund for Special Operations” means the Bank’s Fund for Special Operations.
22. “Fund for Special Operations Financing” means the portion of the Loan chargeable to the Fund for Special Operations.
23. “General Conditions” mean the entirety of articles which comprise Part Two of this Contract.
24. “Guarantee Contract” means the contract, if any, that guarantees the fulfillment of all or part of the obligations contracted by the Borrower under this Contract and under which the Guarantor assumes other obligations for which it is liable.

25. “Guarantor” means the member country of the Bank or subnational entity thereof, as the case may be, that enters into the Guarantee Contract with the Bank.
26. “Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter” means the 15th day of the months of January, April, July, and October of each calendar year. The LIBOR-Based Interest Rate determined by the Bank on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter shall apply retroactively to the first fifteen (15) days of the respective Quarter, and shall continue to apply through and including the last day of the Quarter.
27. “LIBOR-Based Interest Rate” means the sum of the LIBOR Interest Rate and the Bank’s Cost of Funding, determined on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter.
28. “LIBOR Interest Rate” means the “USD-LIBOR-ICE,” which is the rate administered by the ICE Benchmark Administration (or any other entity which takes over the administration of that rate) for deposits in Dollars for a period of three (3) months that appears on the relevant page of the pages Bloomberg Financial Markets Service or Reuters Service, or, if unavailable, on the relevant page of any other service selected by the Bank that displays such rate, as of 11:00 a.m., London time, on the day that is two (2) London Banking Days preceding the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter. If such LIBOR Interest Rate does not appear on the relevant page, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined as if the Parties had specified “USD-LIBOR-Reference Banks” as the applicable LIBOR Interest Rate. For these purposes, “USD-LIBOR-Reference Banks” means that the LIBOR Interest Rate for an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be determined on the basis of the rates at which deposits in Dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on a day that is two (2) London Banking Days preceding that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter to prime banks on the London interbank market for a period of three (3) months, commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. The Calculation Agent or Agents utilized by the Bank will request the principal London office of each of the Reference Banks to provide a quotation of the LIBOR Interest Rate. If at least two (2) quotations are provided, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the LIBOR Interest Rate for that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter will be the arithmetic mean of the rates quoted by the major banks in New York City, selected by the Calculation Agent or Agents utilized by the Bank, at approximately 11:00 a.m., New York City time, for loans in Dollars to the

leading European banks for a period of three (3) months commencing on that Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter and in a Representative Amount. If more than one Calculation Agent provides a LIBOR Interest Rate to the Bank as a result of the procedure described above, the Bank will determine, at its own discretion, the applicable LIBOR Interest Rate on an Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter, based on the interest rates received from the Calculation Agents. For purposes of the foregoing provision, if the Interest Rate Determination Date of the LIBOR-Based Interest Rate for each Quarter is not a Banking Day in New York City, the LIBOR Interest Rates quoted on the first day immediately thereafter which is a Banking Day in New York City shall be utilized.

- 29. “Loan” shall have the meaning assigned to it in the Special Conditions.
- 30. “Local Currency” means any currency other than the Dollar that is legal tender in the countries of Latin America and the Caribbean.
- 31. “Ordinary Capital Financing” means the portion of the Loan chargeable to the Single Currency Facility.
- 32. “Original Disbursement Period” means the original period for disbursements of the Loan, which is set forth in the Special Conditions.
- 33. “Parties” shall have the meaning assigned to it in the introduction to the Special Conditions.
- 34. “Procurement Plan” means a tool for programming and monitoring the procurement related to the Project, in the terms described in the Special Conditions, Procurement Policies, and Consultant Policies.
- 35. “Procurement Policies” mean the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank in force at the time of the approval of the Loan by the Bank.
- 36. “Prohibited Practices” mean the practices prohibited by the Bank in connection with the activities it finances, as defined by the Board or that are defined in the future and communicated to the Borrower, including coercive practice, collusive practice, corrupt practice, fraudulent practice, and obstructive practice.
- 37. “Project” or “Program” means the project or program identified in the Special Conditions comprising a set of activities with a development objective that are financed by proceeds of the Loan.
- 38. “Quarter” means each of the following three-month (3-month) periods of the calendar year: the period beginning on January 1 and ending on March 31; the

period beginning on April 1 and ending on June 30; the period beginning on July 1 and ending on September 30; and the period beginning on October 1 and ending on December 31.

- 39. “Semester” means the first or second six (6) months of a calendar year.
- 40. “Single Currency Facility” means the facility established by the Bank chargeable to its ordinary capital.
- 41. “Special Conditions” mean the entirety of provisions which comprise Part One of this Contract.

CHAPTER III

Amortization, Interest, Credit Fee, Inspection and Supervision, and Prepayments

ARTICLE 3.01. Dates of Payment of Amortization, Interest, Credit Fee, and Other Costs. Interest and amortization installments will be paid on the fifteenth (15th) day of the month, as set forth in the Contract. The dates for payment of an amortization payment, credit fee, and other costs shall always coincide with an interest payment date.

ARTICLE 3.02. Dates of Payment of Amortization. (a) **Ordinary Capital Financing.** The Borrower shall amortize the portion of the Loan disbursed against the Ordinary Capital Financing in semiannual, consecutive, and, insofar as possible, equal installments on the same dates as those established for the payment of interest in accordance with the Special Conditions.

(b) **Fund for Special Operations Financing.** The Borrower shall amortize the portion of the Loan disbursed against the Fund for Special Operations Financing in one single installment payable on the date set forth in the Special Conditions.

ARTICLE 3.03. Credit Fee. (a) **Ordinary Capital Financing.** The Borrower shall pay a credit fee on the undisbursed balance of the Ordinary Capital Financing, which shall begin to accrue sixty (60) days after the date of signature of the Contract. The amount of said fee shall be established by the Bank periodically, as a result of the review of financial charges for ordinary capital loans, and under no circumstance may exceed 0.75% per annum. The fee shall be payable in Dollars on the same dates as those specified for the payment of interest pursuant to the provisions of the Special Conditions.

(b) The credit fee shall cease to accrue in full or in part, as the case may be, to the extent that: (i) the respective disbursements have been made; or (ii) the Loan has been cancelled totally or partially pursuant to Articles 4.02, 4.12, 4.13 or 7.02 of these General Conditions and the relevant provisions of the Special Conditions.

(c) **Fund for Special Operations Financing.** The Borrower shall not pay a credit fee on the Fund for Special Operations Financing.

ARTICLE 3.04. Computation of interest and credit fee. The interest and credit fee shall be calculated according to the exact number of days in the corresponding Semester.

ARTICLE 3.05. Interest. (a) **Ordinary Capital Financing.** (1) Interest shall be charged on the daily outstanding balances of the portion of the Loan disbursed against the Ordinary Capital Financing, until the Determination Date of the Fixed Base Rate, at an annual rate for each quarter as determined by the Bank on the Determination Date of the LIBOR-Based Interest Rate for each Quarter, calculated as follows: (i) the LIBOR-Based Interest Rate; (ii) plus the lending spread in force for loans of the ordinary capital of the Bank.

(2) As of the Determination Date of the Fixed Base Rate, interest shall be charged on the daily outstanding balances of the portion of the Loan disbursed against the Ordinary Capital Financing, at a Fixed Base Rate, determined by the Bank and calculated as follows: (i) the respective Fixed Base Rate; (ii) plus the lending spread in effect for ordinary capital loans. Once the Fixed Base Rate is determined, the Bank shall promptly notify the Borrower and the Guarantor, if any.

(3) The Parties agree that, notwithstanding any change in market practice that may, at any moment, affect the determination of the LIBOR Interest Rate, the Borrower's payments shall remain linked to the Bank's funding. For purposes of obtaining and maintaining such link under such circumstances, the Parties expressly agree that the Calculation Agent, seeking to reflect the Bank's corresponding funding, shall determine: (i) the occurrence of such changes; and (ii) the alternate base rate applicable to determine the appropriate amount to be paid by the Borrower. The Calculation Agent shall notify the Borrower and the Guarantor, if any, of the applicable alternate base rate, with no less than sixty (60) days prior notice. The alternate base rate shall become effective on the expiration of such notice period.

(b) **Fund for Special Operations Financing.** The interest rate chargeable to the portion of the Loan disbursed against the Fund for Special Operations Financing shall be 0.25% per annum.

ARTICLE 3.06. Currency Obligations. All disbursement and payments of amortization and interest shall be made in Dollars.

ARTICLE 3.07. Resources for Inspection and Supervision. The Borrower shall not be required to cover the Bank's expenses for general inspection and supervision, unless the Bank establishes otherwise during the Original Disbursement Period as a consequence of its periodic review of financial charges for ordinary capital loans, and notifies the Borrower accordingly. In this case, the Borrower shall indicate whether it will pay the corresponding amount of the portion of the Loan chargeable to the Ordinary Capital Financing directly to the Bank or whether such amount should be withdrawn and withheld by the Bank from the resources of the Loan. In no case may the Bank charge for a specific semester more than the result of applying one percent (1%) of the portion of the Loan chargeable to the Ordinary Capital Financing, divided by the number of semesters comprising the Original Disbursement Period.

ARTICLE 3.08. Prepayments. (a) Pursuant to an irrevocable request in writing to the Bank, accompanied by the written consent of the Guarantor, if any, delivered at least thirty (30) days in advance, the Borrower may prepay all or part of any outstanding balance of the Loan, on any amortization payment date, provided that on the payment date no sum is due and outstanding with respect to fees or interest. The Borrower must specify in the request the amount the Borrower intends to prepay.

(b) Each partial prepayment shall be applied to the portion of the Loan disbursed against the Ordinary Capital Financing and the portion of the Loan disbursed against the Fund for Special Operations Financing in the same proportion that each one of these represents against the total amount of the Loan. The amount of the prepayment allocated to the portion of the Loan disbursed against the Ordinary Capital Financing shall be applied pro rata to each unpaid principal installment. The Borrower may not carry out prepayments of the outstanding balance of a Loan disbursed against the Ordinary Capital Financing for amounts of less than three million Dollars (US\$3,000,000), unless the total amount of the outstanding balance of the Loan allocated to the Ordinary Capital Financing is less than that amount. The amount of the prepayment allocated to the portion of the Loan disbursed against the Fund for Special Operations Financing shall be applied against the single amortization installment.

(c) Notwithstanding the provisions of sub-paragraph (b) above, in cases of partial or total prepayment of the outstanding balance of the Loan disbursed against the Ordinary Capital Financing, any gain or loss resulting from the cancellation or change of the Bank's funding associated with the corresponding prepayment will be either credited or charged by the Bank to the Borrower, as the case may be, within thirty (30) days from the date of prepayment. In the event of any gain, it will be credited first to any amounts due and payable by the Borrower to the Bank. The Bank shall also charge the Borrower any cost the Bank may incur as a result of failure on the part of the Borrower to comply with a partial or total prepayment of the outstanding balance of the Loan as previously requested in writing by the Borrower, in accordance with the provisions of this Article.

ARTICLE 3.09. Application of Payments. All payments shall be applied first to returns of Advances of Funds which have not been justified upon expiration of the Closing Period, then to fees and interest due on the payment date, and if a balance exists, to the amortization of installments of principal due.

ARTICLE 3.10. Transactions Falling Due on Non-Business Days. Any payment or other transaction which, pursuant to this Contract, should be effected on a day other than a Business Day, shall be considered validly effected if made on the first Business Day immediately thereafter, and in such case no penalty whatsoever shall apply.

ARTICLE 3.11. Place of Payments. All payments shall be made at the principal office of the Bank in Washington, District of Columbia, United States of America, unless the Bank designates another place or places for this purpose by written notification to the Borrower.

CHAPTER IV
Disbursements, Renunciation, and Automatic Cancellation

ARTICLE 4.01. Conditions Precedent to First Disbursement of Resources of the Loan.

Without prejudice to the other requirements set forth in the Special Conditions, the first disbursement of the resources of the Loan shall be subject to the fulfillment of the following requirements to the satisfaction of the Bank:

- (a) The Bank shall have received one or more well-founded legal opinions which establish, with citations of the pertinent constitutional, legal, and regulatory provisions, that the obligations undertaken by the Borrower in this Contract, and those of the Guarantor in the Guarantee Contracts, if any, are valid and enforceable. Such opinions shall also refer to any other legal question that the Bank may deem relevant.
- (b) The Borrower or the Executing Agency, as the case may be, shall have designated one or more officials to represent it for purposes of requesting disbursements of the Loan and for other acts relating to the financial management of the Project, and shall have furnished the Bank with authentic copies of the signatures of said representatives. Should two or more officials be designated, the designation shall indicate whether such officials may act separately or must act jointly.
- (c) The Borrower or the Executing Agency, as the case may be, shall have provided to the Bank information in writing, through its representative authorized to request disbursements of the Loan, regarding the bank account into which disbursements of the Loan are to be deposited. Separate accounts shall be required for disbursements in Local Currency and Dollars. This information will not be necessary in the event the Bank agrees that the resources of the Loan are to be posted in the Borrower's general treasury account.
- (d) The Borrower or Executing Agency, as the case may be, shall have demonstrated to the Bank that it has an adequate financial information system and internal control structure for the purposes indicated in this Contract.

ARTICLE 4.02. Period for Fulfilling the Conditions Precedent to First Disbursement. If within one hundred eighty (180) days from the effective date of this Contract, or within such longer period as the Parties may agree in writing, the conditions precedent to the first disbursement established in Article 4.01 of these General Conditions and other conditions precedent to the first disbursement agreed upon in the Special Conditions have not been fulfilled, the Bank may terminate this Contract in advance by giving notice to the Borrower.

ARTICLE 4.03. Conditions for All Disbursements. (a) As a condition for all disbursements and without prejudice to the conditions precedent to the first disbursement of the resources of the Loan established in Article 4.01 of these General Conditions and in the Special Conditions, if any, the Borrower or the Executing Agency, as the case may be, undertakes to present to the

Bank in writing, whether physically or by electronic means, in such form and conditions as may be specified by the Bank, a disbursement request together with the pertinent documents and other background materials required by the Bank. Unless the Bank agrees otherwise, the last disbursement request shall be presented to the Bank no later than thirty (30) days in advance of the expiration date of the Original Disbursement Period or any extension thereof.

(b) Unless the Parties agree otherwise, disbursements shall be made only in amounts of not less than the equivalent of one hundred thousand Dollars (US\$100,000) each.

(c) Any charge, fee, or expense assessed to the bank account into which disbursements of the resources of the Loan are deposited shall be borne by, and are the responsibility of, the Borrower or the Executing Agency, as the case may be.

(d) In addition, the Guarantor shall not be more than one hundred twenty (120) days late on the payment of sums owed to the Bank on any loan or guarantee.

ARTICLE 4.04. Income Generated in the Bank Account for Disbursements. Income generated from the resources of the Loan deposited in the bank account designated to receive disbursements shall be used to finance Eligible Expenditures.

ARTICLE 4.05. Disbursement Methods. At the request of the Borrower or the Executing Agency, as the case may be, the Bank may make disbursements of the resources of the Loan through: (a) reimbursement of expenditures; (b) Advance of Funds; (c) direct payments to third parties; and (d) reimbursement under a letter of credit guarantee.

ARTICLE 4.06. Reimbursement of Expenditures. (a) The Borrower or the Executing Agency, as the case may be, may request disbursements under the reimbursement of expenditures method when the Borrower or the Executing Agency, as the case may be, has paid for Eligible Expenditures with its own resources.

(b) Unless the Parties agree otherwise, disbursement requests for reimbursing expenditures shall be made promptly to the extent that the Borrower or the Executing Agency, as the case may be, has incurred such expenditures, and not later than sixty (60) days following the conclusion of each calendar semester.

ARTICLE 4.07. Advance of Funds. (a) The Borrower or the Executing Agency, as the case may be, may request disbursements under the Advance of Funds method. The amount of the Advance of Funds shall be set by the Bank on the basis of (i) the liquidity needs of the Project in order to cover periodic projections of Eligible Expenditures during a period of up to six (6) months, unless the Financial Plan provides for a longer period, which in no case may exceed twelve (12) months, and (ii) the risks associated with the capacity demonstrated by the Borrower or the Executing Agency, as the case may be, to manage and use the resources of the Loan.

(b) Each Advance of Funds shall be subject to: (i) the request for Advance of Funds being presented in a manner acceptable to the Bank; and (ii) with the exception of the first Advance of Funds, the Borrower or the Executing Agency, as the case may be, having presented

a justification for the use of at least eighty percent (80%) of the total cumulative balances pending justification for this purpose, and the Bank having accepted such justification, unless the Financial Plan specifies a lower percentage, which in no case may be less than fifty percent (50%).

(c) The Bank may, during the term of the Financial Plan, provide for a one-time increase in the amount of the last Advance of Funds granted to the Borrower or the Executing Agency, as the case may be, to the extent that additional resources are needed to pay Eligible Expenditures that were unforeseen in said plan.

(d) The Borrower or the Executing Agency, as the case may be, shall present the last Advance of Funds request no later than thirty (30) days prior to the date of the expiration of the Original Disbursement Period or any extension thereof, in the understanding that the justification for such Advance of Funds shall be presented to the Bank during the Closing Period. The Bank shall not disburse resources subsequent to the expiration of the Original Disbursement Period or any extension thereof.

(e) The value of each Advance of Funds to the Borrower or the Executing Agency, as the case may be, must be maintained in the equivalent value expressed in the disbursement currency. Eligible Expenditures incurred with resources of an Advance of Funds must be justified in the equivalent of the total amount of the Advance of Funds expressed in the disbursement currency, using the exchange rate established in this Contract. The Bank may accept adjustments in the justification of the Advance of Funds due to exchange rate fluctuations, provided that they do not impact the execution of the Project.

ARTICLE 4.08. Direct payments to third parties. (a) The Borrower or the Executing Agency, as the case may be, may request disbursements under the method of direct payments to third parties, by means of which the Bank directly pays providers or contractors on behalf of the Borrower or the Executing Agency, as the case may be.

(b) In case of direct payments to third parties, the Borrower or the Executing Agency shall be responsible for payment of the amount equivalent to the difference between the amount of the disbursement requested by the Borrower or the Executing Agency and the amount received by the third party as the result of exchange rate fluctuations, commissions, and other financial costs.

ARTICLE 4.09. Reimbursement under a Letter of Credit Guarantee. The Borrower or the Executing Agency, as the case may be, may request disbursements through reimbursement under a letter of credit, in order to reimburse commercial banks for payments made to contractors or providers of goods and services by virtue of a letter of credit issued and/or confirmed by a commercial bank and guaranteed by the Bank. The letter of credit must be issued and/or confirmed in a manner satisfactory to the Bank. The resources committed under the letter of credit and guaranteed by the Bank shall be used exclusively for the purposes established in the letter of credit for as long as the guarantee remains in effect.

ARTICLE 4.10. Exchange rate. (a) The Borrower undertakes to justify, or to cause the Executing Agency to justify, as the case may be, expenditures chargeable to the Loan or the Additional Resources, expressing such expenditures in the disbursement currency.

(b) To determine the equivalence of an Eligible Expenditure incurred in the Local Currency of the Borrower's country to the disbursement currency, for purposes of accounting and justification of expenses, regardless of the source of financing of the Eligible Expenditure, one of the following exchange rates shall be used, pursuant to the Special Conditions:

- (i) the exchange rate in force on the date on which the disbursement currency is converted into the Local Currency of the Borrower's country; or
- (ii) the exchange rate in force on the date of payment of the expenditure in the Local Currency of the Borrower's country.

(c) In those cases in which the exchange rate established in paragraph (b)(i) of this Article is selected, to determine the equivalence of expenditures incurred in the Local Currency chargeable to the Additional Resources or the reimbursement of expenditures chargeable to the Loan, the rate used shall be the exchange rate agreed upon with the Bank in the Special Conditions.

ARTICLE 4.11. Receipts. At the request of the Bank, the Borrower shall sign and deliver to the Bank, upon completion of disbursements, a receipt or receipts for the amounts disbursed.

ARTICLE 4.12. Renunciation of Part of the Loan. The Borrower, with the concurrence of the Guarantor, if any, may renounce, by notice to the Bank, its right to utilize any part of the Loan which has not been disbursed before the receipt of such notice, provided that the resources of the Loan are not subject to the guarantee of an irrevocable letter of credit, pursuant to Article 7.04 of these General Conditions.

ARTICLE 4.13 Automatic Cancellation of Portion of the Loan. Upon expiration of the Original Disbursement Period and any extension thereof, any portion of the Loan not committed or disbursed shall automatically be cancelled.

ARTICLE 4.14. Closing Period. (a) The Borrower undertakes to carry out, or to cause the Executing Agency to carry out, as the case may be, the following actions during the Closing Period: (i) finalize pending payments to third parties, if any; (ii) reconcile its records and present to the Bank's satisfaction the supporting documentation relating to expenditures charged to the Project and other information that the Bank may request; and (iii) return to the Bank the unjustified balance of disbursed resources of the Loan.

(b) Notwithstanding the foregoing, if this Contract provides for external financial audit reports financed with resources of the Loan, the Borrower or the Executing Agency, as the case may be, agrees to reserve, in the manner agreed with the Bank, sufficient resources to cover the payment of the corresponding auditing services. In this case, the Borrower or the Executing Agency, as the case may be, also undertakes to agree with the Bank as to how the corresponding

payments for such audits will be made. In the event the Bank does not receive the above-mentioned external financial audit reports within the periods stipulated in this Contract, the Borrower or the Executing Agency, as the case may be, agrees to return to the Bank the resources reserved for such purpose, which shall not be construed as a waiver by the Bank to exercise the rights set forth in Chapter VII of this Contract.

CHAPTER V

Execution of the Project

ARTICLE 5.01. Financial Management Systems and Internal Control. (a) The Borrower shall maintain, or cause the Executing Agency and Contracting Agency, if any, to maintain, as the case may be, internal controls so as to reasonably ensure: (i) that Project resources are used for the purposes of this Contract, devoting special attention to the principles of economy and efficiency; (ii) that Project assets are adequately safeguarded; (iii) that Project transactions, decisions, and activities are duly authorized and executed in accordance with the provisions of this Contract and any other contract related to the Project; and (iv) that transactions are properly documented and recorded in a way that facilitates the production of timely and reliable reports.

(b) The Borrower shall maintain, and shall cause the Executing Agency and the Contracting Agency, if any, to maintain, an acceptable and reliable financial management system for the timely management of Project resources that provides for: (i) financial planning; (ii) accounting, budgetary, and financial record-keeping; (iii) contract administration; (iv) payment processing; (v) the issuance of financial audit reports and other reports associated with the resources of the Loan, the Additional Resources, and other financing sources of the Project, if any.

(c) The Borrower shall preserve, and shall cause the Executing Agency or the Contracting Agency, as the case may be, to preserve, the original records of the Project for a minimum period of three (3) years after the expiration date of the Original Disbursement Period or any extension thereof. Such documents and records shall be maintained adequately in order to: (i) substantiate Project-related activities, decisions, and transactions, including all expenditures incurred; and (ii) show the correlation of the expenditures incurred under the Loan to the respective disbursement made by the Bank.

(d) The Borrower shall include, or cause the Executing Agency and the Contracting Agency, if any, to include in all bidding documents, requests for proposals, and contracts financed with the resources of the Loan that they enter into, respectively, a provision requiring that providers of goods or services, contractors, subcontractors, consultants and their agents, personnel, subconsultants, subcontractors, or concessionaires contracted by them, keep all documents and records related to activities financed with resources of the Loan for a period of seven (7) years after completion of the work contemplated in the relevant contract.

ARTICLE 5.02. Additional Resources. The Borrower, directly or through the Executing Agency, as the case may be, commits to contribute Additional Resources in a timely manner. If, as of the approval date of the Loan by the Bank, it has been determined that Additional

Resources are needed, the estimated amount of such Additional Resources shall be that specified in the Special Conditions. Whether or not an estimate of the amount of the Additional Resources has been determined shall neither limit nor diminish the obligation of the Borrower, directly or through the Executing Agency, to contribute in a timely manner all additional resources which may be necessary for the complete and uninterrupted execution of the Project.

ARTICLE 5.03. General Provisions for Execution of the Project. (a) The Borrower shall execute, or cause the Executing Agency, as the case may be, to execute the Project in accordance with the objectives thereof, with due diligence in an economically, financially, administratively, and technically efficient manner, and in accordance with the provisions of this Contract and the plans, specifications, investment schedule, budgets, regulations, and other relevant documents of the Project approved by the Bank. The Borrower or the Executing Agency, as the case may be, further agrees that all of its obligations shall be fulfilled to the satisfaction of the Bank.

(b) Any significant modification of the plans, specifications, investment schedule, budgets, regulations, or other documents which the Bank approves, as well as any substantial change in contracts financed with resources of the Loan, shall require the written consent of the Bank.

(c) In case of contradiction or inconsistency between the provisions of this Contract and any plan, specification, investment schedule, budget, regulations, or other relevant document of the Project approved by the Bank, the provisions of this Contract shall prevail over those documents.

ARTICLE 5.04. Selection and Contracting of Works and Non-consulting Services, Procurement of Goods, and Selection and Contracting of Consulting Services. (a) Subject to the provisions of paragraph (b) of this article, the Borrower undertakes to carry out and, where appropriate, cause the Executing Agency or the Contracting Agency, if any, to carry out the procurement of works and non-consulting services, as well as the procurement of goods, in accordance with the Procurement Policies and the Procurement Plan approved by the Bank, and the selection and contracting of consulting services, in accordance with the Consultant Policies and the Procurement Plan approved by the Bank. The Borrower represents that it is aware of the Procurement Policies and Consultant Policies and undertakes to inform the Executing Agency, the Contracting Agency, and the specialized agency, as the case may be, of these Policies.

(b) When the Bank has validated a system or subsystem of the member country of the Bank where the Project will be executed, the Borrower or the Executing Agency, as the case may be, may carry out the procurement and contracting financed wholly or partially with resources of the Loan using such system or subsystem, in accordance with the terms of the validation of the Bank and applicable validated legislation and processes. The terms of such validation shall be notified in writing by the Bank to the Borrower and the Executing Agency. Use of the country system or subsystem may be suspended by the Bank when, in its opinion, changes have occurred in the parameters or practices the Bank used as the basis for its validation, until such time as the Bank determines whether such changes are compatible with international best practices. During such suspension, the Procurement Policies and Consultant Policies of the Bank will apply. The Borrower, directly or through the Executing Agency, as the case may be, undertakes to notify the

Bank of any change in the applicable legislation or processes that have been so validated. The use of country systems or subsystems does not constitute a waiver of the application of the provisions set forth in Section I of the Procurement Policies and Consultant Policies, including the requirement that the respective procurement and contracting of services be contained in the Procurement Plan and is subject to the remaining provisions of this Contract. The provisions of Section I of the Procurement Policies and Consultant Policies shall apply to all contracts, regardless of amount or contracting method. The Borrower agrees to include, or to cause the Executing Agency, as the case may be, to include in the model bidding documents, contracts, and instruments used in electronic or information systems (in physical or electronic media) measures to ensure the application of the provisions set forth in Section I of the Procurement Policies and Consultant Policies, including the provisions on Prohibited Practices.

(c) The Borrower agrees to update, or to cause the Executing Agency, as the case may be, to maintain an updated Procurement Plan, and to update the Procurement Plan at least annually or more frequently, depending on the Project needs. Each updated version of the Procurement Plan shall be submitted for review and approval of the Bank.

(d) The Bank will conduct a review of the selection, contracting, and procurement processes, as set forth in the Procurement Plan. At any time during the execution of the Project, the Bank may change the method of review of these processes, with prior notice to the Borrower or the Executing Agency. The changes approved by the Bank shall be reflected in the Procurement Plan.

ARTICLE 5.05. Use of Goods. Except as otherwise expressly authorized by the Bank, any goods procured with the resources of the Loan shall be used exclusively for the purposes of the Project.

ARTICLE 5.06. Environmental and Social Safeguards. (a) The Borrower, directly or through the Executing Agency, as the case may be, agrees to carry out the execution (preparation, construction, and operation) of the activities included in the Project in accordance with the environmental and social policies of the Bank, pursuant to the specific provisions on environmental and social considerations included in the Special Conditions.

(b) The Borrower, directly or through the Executing Agency, as the case may be, agrees to immediately inform the Bank of any noncompliance with the environmental and social obligations set forth in the Special Conditions.

(c) The Borrower, directly or through the Executing Agency, as the case may be, agrees to implement a corrective action plan, agreed upon with the Bank, to mitigate, correct, and compensate any adverse consequences that may result from the failure to comply with the implementation of the environmental and social obligations set forth in the Special Conditions.

(d) The Borrower agrees to allow the Bank, whether directly or through the contracting of consulting services, to carry out supervision activities, including environmental and social audits of the Project, in order to confirm compliance with the environmental and social obligations set forth in the Special Conditions.

ARTICLE 5.07. Ineligible Expenditures for the Project. In the event that the Bank determines that an expenditure incurred does not meet the requirements to be considered an Eligible Expenditure or Additional Resources, the Borrower or the Executing Agency, as the case may be, shall take such actions as are necessary to remedy the situation, as required by the Bank, without prejudice to any other measures the Bank may exercise under this Contract.

CHAPTER VI

Supervision and Evaluation of the Project

ARTICLE 6.01. Inspections. (a) The Bank may establish such procedures as it deems necessary to ensure the satisfactory development of the Project.

(b) The Borrower shall permit, or cause the Executing Agency, as the case may be, and the Contracting Agency, if any, to permit the Bank, its investigators, agents, auditors, and experts it engages, to inspect, at any time, the Project and the facilities, equipment, and materials involved therein, and to examine such systems, records, and documents as the Bank may deem pertinent. In addition, the Borrower or the Executing Agency, as the case may be, and the Contracting Agency, if any, shall ensure that their agents fully cooperate with the personnel which the Bank sends or designates for this purpose. All the costs relating to transportation, salaries, and other expenses of such personnel shall be borne by the Bank.

(c) The Borrower shall provide, or cause the Executing Agency, as the case may be, and the Contracting Agency, if any, to provide to the Bank any documents relating to the Project that the Bank may request, in a form and within a time frame acceptable to the Bank. Without prejudice to any measures the Bank may take under this Contract in the event such documentation is not available, the Borrower or the Executing Agency, as the case may be, and the Contracting Agency, if any, shall submit an affidavit to the Bank setting forth the reasons why the requested material is unavailable or is being withheld.

(d) The Borrower shall include, or cause the Executing Agency, as the case may be, and the Contracting Agency, if any, to include a provision in bidding documents, requests for proposals, and contracts entered into by them relating to the execution of the Loan in order to: (i) allow the Bank, its investigators, agents, auditors, or experts, to inspect accounts, records, and other documents relating to the submission of bids and to the performance of the corresponding contract or agreement; and (ii) provide that such accounts, records, and documents may be submitted to the auditors designated by the Bank for an opinion.

ARTICLE 6.02. Plans and Reports. To enable the Bank to supervise progress in the execution of the Project and the scope of its results, the Borrower, directly or through the Executing Agency, as the case may be, shall:

- (a) Present to the Bank the information, plans, reports, and other documents in such form and substance as the Bank may reasonably request, based on the progress of the Project and its level of risk;

- (b) Comply with the actions and obligations established in such plans, reports, and other documents agreed upon with the Bank;
- (c) Inform the Bank upon identifying any risks or significant changes that cause or may cause delays or difficulties in Project execution; and
- (d) Inform the Bank within no more than thirty (30) days of the initiation of any proceedings, claim, suit, or legal, arbitral, or administrative action relating to the Project and keep the Bank informed on the status thereof.

ARTICLE 6.03. External Financial Audit Reports and other Financial Reports.

(a) Unless the Special Conditions establish otherwise, the Borrower, directly or through the Executing Agency, as the case may be, shall present the Bank with the external financial audit reports and other reports identified in the Special Conditions within one hundred twenty (120) days following the closing of each fiscal year of the Project and within the Original Disbursement Period or any extension thereof, and within one hundred twenty (120) days following the date of the last disbursement.

(b) In addition, the Borrower, directly or through the Executing Agency, as the case may be, shall present to the Bank other financial reports in such form and with such content and frequency as the Bank may reasonably request during the Project's execution when, in the opinion of the Bank, the analysis of the level of the Project's fiduciary risk, complexity, or nature so warrant.

(c) Any external audit that may be required under the provisions of this Article and the corresponding provisions of the Special Conditions shall be performed by independent auditors who have been previously accepted by the Bank, or by a supreme audit institution previously accepted by the Bank, in accordance with auditing principles and standards acceptable to the Bank. The Borrower, directly or through the Executing Agency, as the case may be, shall authorize the supreme audit institution or the independent auditors to provide the Bank with such additional information it may reasonably request with respect to the external financial audit reports.

(d) The Borrower, directly or through the Executing Agency, as the case may be, shall select and contract the independent auditors indicated in paragraph (c) above, in accordance with the procedures and terms of reference agreed upon with the Bank. In addition, the Borrower or the Executing Agency, as the case may be, shall provide to the Bank any information it requests relating to the independent auditors under contract.

(e) In the event an external audit required under the provisions of this Article and the corresponding provisions of the Special Conditions is to be performed by a supreme audit institution and such agency is unable to perform the audit in accordance with requirements satisfactory to the Bank or within the deadlines, for the period, or with the frequency stipulated in this Contract, the Borrower or the Executing Agency, as the case may be, shall select and

contract the services of independent auditors acceptable to the Bank, as provided under paragraphs (c) and (d) of this Article.

(f) Notwithstanding the provisions above, the Bank may, on an exceptional basis, select and contract the services of independent auditors to audit the financial audit reports provided for in this Contract when: (i) pursuant to the findings of a Bank-conducted cost-benefit analysis, it is determined that the benefits associated with the hiring of such services by the Bank outweigh the costs; (ii) there is limited access to auditing services in the country; or (iii) special circumstances warrant the selecting and hiring of such services by the Bank.

(g) The Bank reserves the right to request the Borrower or the Executing Agency, as the case may be, to have external audits other than financial audits or to have services carried out relating to the auditing of projects, of the Executing Agency and related entities, of the financial information system, and of the bank accounts of the Project, among others. The nature, frequency, scope, timing, methodology, type of applicable auditing norms, reports, auditor selection procedures, and terms of reference for the audits shall be agreed upon between the Parties.

CHAPTER VII

Suspension of Disbursements, Accelerated Maturity, and Partial Cancellations

ARTICLE 7.01. Suspension of Disbursements. The Bank, by written notice to the Borrower, may suspend disbursements if any of the following circumstances occurs and so long as it continues:

- (a) Delay in the payment of any sums owed by the Borrower to the Bank for principal, fees, interest, return of resources of the Loan used for ineligible expenditures, or for any other reason, under this Contract or any other contract entered into between the Bank and the Borrower, including another loan contract.
- (b) Nonfulfillment by the Guarantor, if any, of any payment obligation set forth in the Guarantee Contract; any other contract entered into between the Guarantor, as Guarantor, and the Bank; or any Derivative Contract entered into with the Bank.
- (c) Noncompliance by the Borrower, the Guarantor, if any, or the Executing Agency, as the case may be, of any other obligation set forth in any contract entered into with the Bank for the financing of the Project, including this Contract, the Guarantee Contract, or any Derivative Contract entered into with the Bank, as well as noncompliance by the Borrower or the Executing Agency, as the case may be, with any contract they enter into for the execution of the Project.
- (d) Withdrawal or suspension from membership in the Bank of the country in which the Project is to be executed.
- (e) When, in the opinion of the Bank, the objective of the Project or the Loan may be adversely affected or the execution of the Project may be improbable owing to:

- (i) any restriction, modification, or alteration of the legal capacity, functions, or assets of the Borrower or the Executing Agency, as the case may be; or (ii) any modification or change made without the written concurrence of the Bank of any condition fulfilled before the approval of the Loan by the Bank.
- (f) Any extraordinary circumstance which, in the opinion of the Bank: (i) makes it unlikely that the Borrower, the Executing Agency, or the Guarantor, as the case may be, will be able to fulfill the obligations established in this Contract or the Guarantee Contract, respectively; or (ii) prevents the fulfillment of the Project's development objectives.
- (g) Whenever the Bank determines that an employee, agent, or representative of the Borrower, the Executing Agency, or the Contracting Agency, as the case may be, has engaged in a Prohibited Practice in connection with the Project.

ARTICLE 7.02. Early Termination and Cancellation of Undisbursed Balances. (a) The Bank, by means of a written notification, may declare the entire Loan or a portion thereof immediately due and payable, together with interest, fees, and other charges accrued up to the date of payment, and may cancel the undisbursed portion of the Loan, if:

- (i) any of the circumstances set forth in paragraphs (a), (b), (c), and (d) of the preceding Article continues for more than sixty (60) days;
- (ii) any of the circumstances set forth in paragraphs (e) and (f) of the previous article occurs and so long as it continues, and the Borrower or the Executing Agency, as the case may be, fails to provide to the Bank the clarifications or additional information that the Bank considers necessary;
- (iii) the Bank, in accordance with its sanctions procedures, determines that any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, financial intermediaries, or a Contracting Entity (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted), has engaged in a Prohibited Practice in connection with the Project; and that the Borrower, the Executing Agency, or the Contracting Agency, as the case may be, has not taken adequate remedial measures (including providing adequate notice to the Bank upon learning of the Prohibited Practice) within a period of time the Bank considers reasonable; and
- (iv) the Bank determines at any time that a procurement of goods or the contracting of works or non-consulting services was carried out without following the procedures set forth in this Contract. In this case, the cancellation or early termination will apply to the portion of the Loan used for such procurement or contracting.

(b) If the Bank declares a part of the Loan due and payable, the payment received will be applied against the portion of the Loan disbursed against the Ordinary Capital Financing and the Fund for Special Operations Financing in the same proportion that each one of these represents against the total amount of the Loan. The amount of the payment allocated to the portion of the Loan disbursed against the Ordinary Capital Financing shall be applied pro rata to each unpaid principal installment. The amount of the payment allocated to the portion of the Loan disbursed against the Fund for Special Operations Financing shall be applied against the single amortization installment.

(c) Any cancellation will be understood as carried out in regards to the Ordinary Capital Financing and the Fund for Special Operations Financing in the same proportion that each one of these represents against the total amount of the Loan.

ARTICLE 7.03. Provisions Not Affected. The application of the measures provided in this Chapter shall not affect the obligations of the Borrower established in this Contract, which shall remain in full force and effect, except that in case the entire Loan has been declared due and payable, only the pecuniary obligations of the Borrower shall continue in force.

ARTICLE 7.04. Disbursements Not Affected. Notwithstanding the provisions of Articles 7.01 and 7.02 above, none of the measures set forth in this Chapter shall affect the disbursement by the Bank of any amounts of the resources of the Loan: (a) subject to the guarantee of an irrevocable letter of credit; (b) which, by specific written agreement with the Borrower, the Executing Agency, or the Contracting Agency, as the case may be, the Bank has agreed to provide to pay Eligible Expenditures directly to the respective supplier; and (c) payable to Bank, pursuant to the Borrower's instructions.

CHAPTER VIII **Prohibited Practices**

ARTICLE 8.01. Prohibited Practices. (a) In addition to the provisions established in Articles 7.01(g) and 7.02(a)(iii) of these General Conditions, if the Bank determines, in accordance with its sanctions procedures, that a firm, entity, or individual bidding for or participating in a Bank-financed activity, including, among others, applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, financial intermediaries, or a Contracting Entity (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) has engaged in a Prohibited Practice in connection with the execution of the Project, the Bank may take the actions provided for in its sanctions procedures in effect as of the date of this Contract or the amendments thereto that the Bank approves from time to time and makes known to the Borrower, including:

- (i) Denying financing of contracts for the procurement of goods or the contracting of works or consulting or non-consulting services;

- (ii) Declaring a contract ineligible for Bank financing whenever there is evidence that the agent of the Borrower, the Executing Agency, or the Contracting Entity, as the case may be, has not taken adequate remedial measures (including providing adequate notice to the Bank upon learning of the commission of the Prohibited Practice) within a period of time the Bank considers reasonable;
- (iii) Issuing the firm, entity, or individual determined to be responsible a reprimand in the form of a formal letter of censure for its behavior;
- (iv) Declaring a firm, entity, or individual determined to be responsible for engaging in the Prohibited Practice ineligible, either permanently or temporarily, to participate in Bank-financed activities, whether directly as a contractor or supplier, or indirectly as a subconsultant, subcontractor, or a supplier of goods, consulting services, or non-consulting services; and
- (v) Imposing fines representing reimbursement to the Bank of costs associated with investigations and proceedings in connection with the commission of the Prohibited Practice.

(b) The provisions of Article 7.01(g) and Article 8.01(a)(i) shall also apply in cases in which the Contracting Agency or any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) has been temporarily suspended from eligibility to take part in a bidding or other selection process for the awarding of new contracts pending the final outcome of an investigation into a Prohibited Practice.

(c) The imposition of any action to be taken by the Bank pursuant to the provisions referred to above will be made public, except in cases of private reprimand.

(d) Any firm, entity, or individual bidding for or participating in a Bank-financed activity, including applicants, bidders, contractors, consulting firms and individual consultants, personnel, subcontractors, subconsultants, providers of goods or services, concessionaires, or a Contracting Entity (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted) may be sanctioned by the Bank pursuant to agreements the Bank may have with other international financial institutions regarding the mutual enforcement of debarment decisions. For purposes of this paragraph (d), the term "sanction" shall mean any permanent or temporary debarment, conditions on future contracting, or any publicly disclosed action taken in response to a violation of an international financial institution's applicable framework for addressing allegations of Prohibited Practices.

(e) When the Borrower procures goods or contracts works or non-consulting services directly from a specialized agency under an agreement between the Borrower and such specialized agency, all provisions under this Contract regarding sanctions and Prohibited

Practices shall apply in their entirety to applicants, bidders, providers of goods and their agents, contractors, consultants, personnel, subcontractors, subconsultants, service providers, concessionaires (including their respective officers, employees, and agents, irrespective of whether their authority has been expressly or implicitly granted), or to any other entities that have signed contracts with such specialized agency, to supply goods, works, or non-consulting services in connection with Bank-financed activities. The Borrower or the Executing Agency, as the case may be, agrees to adopt, as may be required by the Bank, remedies such as suspension or termination of the corresponding contract. The Borrower agrees that the contracts it enters into with specialized agencies shall include provisions requiring them to consult the Bank's list of firms and individuals debarred either temporarily or permanently by the Bank from participating in a procurement or contracting operation financed wholly or partially with resources of the Loan. In the event a specialized agency signs a contract or purchase order with a firm or an individual temporarily or permanently debarred by the Bank as indicated in this article, the Bank will not finance such contracts or expenditures and will apply such other remedies as it deems appropriate.

CHAPTER IX

Provision on Encumbrances and Exemptions

ARTICLE 9.01. Commitment on Encumbrances. The Borrower shall not create any specific encumbrance on all or part of its assets or revenues to secure an external debt without, at the same time, creating an encumbrance guaranteeing to the Bank, equally and proportionally, the fulfillment of the pecuniary obligations arising from this Contract. The foregoing shall not apply: (a) to encumbrances on goods used as security for payment of the unpaid balance of the purchase price; and (b) to encumbrances created in banking operations to secure payment of debts with maturities of not more than one year. In the event that the Borrower is a member country, the term "assets or revenues" shall mean all types of assets or revenues which belong to the Borrower or any of its dependent agencies which are not autonomous entities with their own separate capital.

ARTICLE 9.02. Tax exemption. The Borrower undertakes to ensure that principal, interest, fees, premiums, and any other Loan charge, as well as any other payment for expenses or costs that may be imputed to this Contract, shall be paid without any deduction or restriction whatsoever, exempt from any tax, fee, duty, or charge established or that may be established by the laws of its country, and to pay any tax, fee, or duty applicable to the signing, recording, and execution of this Contract.

CHAPTER X

Miscellaneous Provisions

ARTICLE 10.01. Assignment of Rights. (a) The Bank may assign to other public or private institutions, in the form of participations, the rights corresponding to the Borrower's pecuniary obligations under this Contract. The Bank shall immediately notify the Borrower of each assignment.

(b) The Bank may grant participations in respect of either outstanding loan balances or amounts of the Loan which are still undisbursed at the time of entering into the participation agreement.

(c) With the prior consent of the Borrower and of the Guarantor, if any, the Bank may assign all or part of the undisbursed amount of the Loan to other public or private institutions. To that end, the portion subject to assignment shall be denominated in terms of a fixed number of units of either the Approval Currency or Dollars. Likewise, with the prior consent of the Borrower and of the Guarantor, if any, the Bank may set, for the portion subject to assignment, an interest rate other than that established in this Contract.

ARTICLE 10.02. Modifications and Contractual Waivers. Any modification or waiver of the provisions of this Contract shall be agreed upon in writing by the Parties, with the consent of the Guarantor, if any, and to the extent that such consent may be applicable.

ARTICLE 10.03. Non-waiver of Rights. Any delay or failure by the Bank to exercise its rights pursuant to this Contract may not be construed as a waiver of such rights or as implied acceptance of events, actions, or circumstances that would have empowered it to exercise them.

ARTICLE 10.04. Termination. (a) The Contract and all obligations arising from it shall be deemed terminated upon full payment of the principal, interest, fees, premiums, and all other expenses related to the Loan, as well as all other expenses and costs arising from this Contract, with the exception of those referred to in paragraph (b) of this Article.

(b) The obligations acquired by the Borrower under this Contract with respect to Prohibited Practices and other obligations relating to the operational policies of the Bank, shall remain in effect until such obligations are deemed fulfilled to the satisfaction of the Bank.

ARTICLE 10.05. Validity. The rights and obligations established in this Contract are valid and enforceable in accordance with the terms agreed upon herein, regardless of the laws of any given country.

ARTICLE 10.06. Disclosure of Information. The Bank may disclose this Contract and any information related thereto, in accordance with its access to information policy in effect at the time of such disclosure.

CHAPTER XI **Arbitration Procedure**

ARTICLE 11.01. Composition of the Tribunal. (a) The arbitration tribunal shall be composed of three members to be appointed in the following manner: one by the Bank; another by the Borrower; and a third, hereinafter the "President," by direct agreement between the Parties or through their respective arbitrators. In all decisions, the President of the tribunal shall have the right to cast a double vote in the case of deadlock. If the Parties or the arbitrators fail to agree on

who the President shall be, or if one of the Parties is unable to designate an arbitrator, the President shall be appointed, at the request of either Party, by the Secretary General of the Organization of American States. If either of the Parties fails to appoint an arbitrator, one shall be appointed by the President. If either of the appointed arbitrators or the President is unwilling or unable to act or to continue to act, his or her successor shall be appointed in the same manner as for the original appointment. The successor shall have the same functions as his or her predecessor.

(b) In any conflict, both the Borrower and the Guarantor shall be considered a single party and, consequently, shall act jointly in the designation of the arbitrator and for the other purposes of the arbitration proceedings.

ARTICLE 11.02. Initiation of the Procedure. In order to submit the conflict to arbitration, the claimant shall address to the other party a written notification setting forth the nature of the claim, the satisfaction or compensation it seeks, and the name of the arbitrator it appoints. The party receiving such notification shall, within forty-five (45) days, notify the adverse party of the name of the person it appoints as arbitrator. If, within seventy-five (75) days as of the notification of the initiation of the arbitral proceeding, the Parties have not agreed upon the person who is to act as President, either party may request the Secretary General of the Organization of American States to make the appointment.

ARTICLE 11.03. Convening of the Tribunal. The arbitration tribunal shall be convened in Washington, District of Columbia, United States of America, on the date designated by the President, and, once convened, shall meet on the dates which the tribunal itself shall establish.

ARTICLE 11.04. Procedure. (a) The tribunal is specifically empowered to decide any matter under its jurisdiction and shall adopt its own procedures. In any case, it shall give the Parties the opportunity to make oral presentations. All decisions of the tribunal shall be made by majority vote.

(b) The Tribunal shall base its rulings on the terms of the Contract, and shall render its award even if one of the Parties fails to appear.

(c) The award shall be in writing and shall be adopted with the concurrent vote of at least two (2) members of the tribunal. It shall be handed down within approximately sixty (60) days from the date on which the President is appointed, unless the tribunal determines that, due to special and unforeseen circumstances, such period should be extended. The award shall be notified to the Parties by means of a notification signed by at least two (2) members of the tribunal, and shall be complied with within thirty (30) days from the date of notification. The award shall be final and will not be subject to any appeal.

ARTICLE 11.05. Costs. The fees of each arbitrator and the costs of arbitration (with the exception of attorneys' fees and the fees of other experts, which shall be covered by the Parties that appointed them) shall be covered by both Parties in equal proportion. Any doubt regarding the division of costs or the manner in which they are to be paid shall be determined, without appeal, by the tribunal.

ARTICLE 11.06. Notification. All notifications relative to the arbitration or to the award shall be made in the manner provided in this Contract. The parties waive any other form of notification.

ANNEX

THE PROGRAM

Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion

I. Objective

- 1.01** The objective of the Program is to support economic diversification and exports through the enhancement of the National Quality Infrastructure (NQI) and through a National Export and Investment Promotion Strategy. Specific objectives are: (i) to enhance the capacity of the NQI; (ii) to improve facilities for the NQI; and (iii) to enhance the capability of Go-Invest for export and investment promotion.

II. Description

- 2.01** To achieve the objective indicated in paragraph 1.01 above, the Program has a single component divided in the following three subcomponents:

Component. Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion

- 2.02 Subcomponent 1: Modernization of the Institutional Framework of the NQI.** The subcomponent will support the capacity building of the stakeholders of the NQI, in particular the Guyana National Bureau of Standards (GNBS), in strengthening the areas of technical regulations, compliance, conformity, accreditation and training, and capacity building of public and private stakeholders. The governance structure of the NQI will be streamlined to include the needs of the private sector with priority given to non-traditional exporters, and a network of laboratories will be created in order to promote the most efficient use of the current facilities. The training to be conducted will be targeted at enhancing the capacity of the personnel at the GNBS and addressing the common needs of stakeholders in the network of the laboratories, such as managerial and operational. In addition, the network of laboratories, operating under the GNBS, will create a monitoring and evaluation system, in which data of the users of the NQI will be collected.
- 2.03** This subcomponent will finance: (i) activities to support the accreditation process of existing laboratories with best practices and international standards, along with the required processes; (ii) training and capacity building for laboratories in the network and for the GNBS including awareness campaigns for stakeholders; (iii) creation and operation of a network of laboratories. The operation of the network will include a design of the governance structure for the network, an integrated operation system that centralizes information about

services, equipment and condition of all laboratories as well as cross requests for services. This includes the development of a website in which information can be shared among the participants of the network, and a platform for the organization of workshops, knowledge sharing and awareness events about standards, certification and accreditation requirements. The Ministry of Business, through the GNBS who will chair the network, will use the information generated and the website to promote collaboration between laboratories, promote better use of existing resources and carry out interventions that are better tailored to the needs of the existing labs; (iv) capacity building activities for exporters, firms with export potential with a focus on non-traditional exporters which are mainly small and medium-sized enterprises (SMEs) in application of standards in order to promote a quality culture among the private sector; (v) the development of a strategic plan for the GNBS that aligns with both the regional and national policy framework, allows for a more efficient management of the facilities and incorporates the required mechanism to promote sustainability of the NQI; and (vi) awareness campaigns on the use of standards and quality among public and private stakeholders of the NQI.

- 2.04 Subcomponent 2: Improving Laboratory Facilities and Equipment.** The objective of this subcomponent is to improve facilities for the NQI. In this regard this subcomponent will finance new facilities to house metrology, testing, and legal metrology, the required equipment for the adequate functioning of the GNBS as well as specific equipment for the Ministry of Public Health (MoH) and Ministry of Agriculture (MoA). To move towards the sustainability of the facilities, a business plan for cost recovery through phases and a long term operation, and a maintenance plan will be developed as part of the GNBS strategy financed in Subcomponent 1.
- 2.05** This subcomponent will finance specifically: (i) detailed architecture and engineering designs of the new laboratory facility for the GNBS, including “green building” provisions. In addition, the detailed designs will incorporate the requirements and specifications of both the current and the new equipment for the GNBS. For that purpose, the expert in charge of advising on the technical specifications will interact with the firm in charge of the architectural and engineering design of the facility; (ii) facility for the GNBS, consisting of a two story building of approximately 1,800 sq. ft. located in government owned land. This facility will be built according to international metrology and testing standards, the “green building” standards, and following all environmental and social requirements and mitigation activities described in the Environmental and Social Management Report (ESMR) of the Program; (iii) required equipment for measurement metrology and testing including equipment for small mass laboratory, large mass laboratory, humidity and temperature volume, legal metrology, time and frequency, electrical magnitude, length, strength and torque, physics and chemistry; (iv) maintenance contracts to guarantee the long term maintenance of the specialized equipment; and (v) specific gaps in other laboratories, consisting of specific equipment for the export related activities in the MoH and the MoA¹.

¹ This contemplates electricity generators, water treatment equipment.

- 2.06 Subcomponent 3: Implementing the National Export and Investment Strategy.** The objective of this subcomponent is to enhance the ability of Guyana to connect with regional and global value chains through the promotion of exports and foreign direct investment, particularly in agribusiness. This subcomponent will support: (i) technical assistance to design and implement a trade and investment promotion strategy, including mapping and analysis of major value chains, identification of local suppliers to create backward linkages, design of export programs like “Open to Export” and “Ready to Export”, recommendations for industrial estates/parks/farms as potential tools to promote exports and foreign direct investment, review of Guyana’s Institutional and regulatory framework for trade and investment; and (ii) technical assistance for the strengthening of Go-Invest and its ability to promote exports and attract foreign direct investment, especially in the sectors that need modern certified laboratories for required tests for accessing international markets. This includes a review and redesign of Go-Invest structure, objectives, strategic plan, and internal processes, a data base of firms with potential to export or with current export base, Customer Relationship Management software, branding, investment guide, development of a modern website, a boutique forum to connect with regional and global buyers and investors, and training to staff.

III. Financing Plan

- 3.01** The distribution of the resources of the Loan is set forth in the following table:

Cost and Financing
(in US\$)

Description/Source	BANK	%
Component. Enhancing the National Quality Infrastructure for Economic Diversification and Trade Promotion	7,569,500	84.11
Subcomponent 1: Modernization of the Institutional Framework of the NQI	615,000	6.83
Subcomponent 2: Improving Laboratory Facilities and Equipment	5,794,500	64.38
Subcomponent 3. Implement National Export and Investment Strategy	1,160,000	12.89
Program Administration	1,280,000	14.21
Monitoring and Evaluation	50,000	0.56
Contingencies	100,500	1.12
TOTAL	9,000,000	100.00%

IV. Execution

- 4.01** The Executing Agency of the Program will be the Ministry of Business (MoB), through a Project Execution Unit (PEU) set up with the special purpose of managing the implementation of the activities contemplated in the Program.

- 4.02** The MoB will coordinate and oversee the activities that are in the realm of the GNBS and Go-Invest, as well as the activities related to providing support to the existing laboratories in the Ministry of Public Health (Food and Drug) and Ministry of Agriculture (Sanitary and Phytosanitary Measures).
- 4.03** The main functions of the PEU will be to ensure timely and effective project planning, management, coordination, procurement, financial controls, monitoring, and reporting. Systems, policies and procedures will be implemented towards ensuring that efficient financial management as well as accurate and timely reporting and accounting will be achieved. The structure of the PEU will comprise: (i) a project manager, who will be directly responsible for the allocation and use of resources, leading the PEU staff and liaising with key program stakeholders; (ii) a financial management officer; (iii) a procurement officer; (iv) an administrative assistant; (v) an engineer to provide technical support during construction and initial operation; (vi) an expert to develop the technical specifications and provide support on equipment; (vii) an environmental and social expert to carry out environmental and social monitoring; and (viii) a monitoring and evaluation officer. Two full-time subcomponent coordinators will be appointed or hired, if necessary, to be part of the PEU to support in the implementation of the activities in Go-Invest and GNBS based on the need of the Program and subject to the capacity of the agencies.
- 4.04** Administrative responsibilities of the PEU include: (i) preparation, implementation and updating of the Annual Operation Plan; (ii) preparation of the annual Procurement Plan and procurement of goods and services; (iii) financial administration, accounting and preparation of budgets and disbursement requests; (iv) preparation of technical reports, including regular updating of the information relevant for the program's monitoring report; (v) selection and hiring of the external audit firm and implementation of its recommendations; (vi) hiring of consultants to conduct the intermediate and final evaluations of the Program; and (vii) act as the government's focal point for the Bank in all matters related to execution.
- 4.05** A Program Steering Committee (PSC) will be established and will be headed by the MoB. It will consist of the project coordinator and representatives from the National Standards Council, GNBS, Go-Invest, MoB, MoH, MoA, Environmental Protection Agency, and the private sector, among others. The PSC will provide broad oversight for all matters related to the Program through the assessment and review of the program activities and will ensure the coordination with the ongoing activities and strategies of each member of the PSC. In addition, the environmental and social monitoring will be carried out by the PSC with support from the environmental and social specialist during construction of the new facility for the GNBS.

V. Evaluations and Monitoring

- 5.01** As described in Section 5.03 of the Special Conditions, there will be a mid-term and a final evaluation. The mid-term evaluation will be undertaken to evaluate the progresses in the execution of the Program. The final evaluation of the Program will analyze, among others, exports intensity, exports efficiency and variety of exports by: (i) evaluating if exporters

using local strengthened laboratories increase the value and volume of exports vis-à-vis exporters using international lab services; (ii) comparing costs faced by users of local strengthened laboratories vis-à-vis the costs faced by comparable exporters using external laboratories; and (iii) evaluating if exporters of non-traditional products increase the value of exports vis-à-vis comparable exporters of traditional products. The Monitoring and Evaluation Plan of the Program establishes the methodology and specifications for both evaluations.

- 5.02** For purposes of compliance with the condition established in Section 4.06(b) of the Special Conditions regarding the Emergency Response Plan (ERP) provided by the contractors, such Plan shall outline the procedures for responding to environmental and social emergencies that may occur as a result of unforeseeable circumstances, such as a spill of hazardous materials or significant erosion events and will provide all other specifications included in the Operating Manual. The Executing Agency will provide evidence of supervision and oversight of the contractors for the implementation of the activities defined in Component 2. In case of non-compliances found, the Executing Agency must prepare a Corrective Action Plan.